

# 2011 Military Health System Conference

## Effective Contracting: Trends and Lessons-Learned

*The Quadruple Aim: Working Together, Achieving Success*

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25 Jan 2011



US Army Medical Command  
Health Care Acquisition Activity

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# The Quadruple Aim: The MHS Value Model



## Readiness

Ensuring that the total military force is medically ready to deploy and that the medical force is ready to deliver health care anytime, anywhere in support of the full range of military operations, including humanitarian missions.

## Experience of Care

Providing a care experience that is patient and family centered, compassionate, convenient, equitable, safe and always of the highest quality.

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## Population Health

Reducing the generators of ill health by encouraging healthy behaviors and decreasing the likelihood of illness through focused prevention and the development of increased resilience.

## Per Capita Cost

Creating value by focusing on quality, eliminating waste, and reducing unwarranted variation; considering the total cost of care over time, not just the cost of an individual health care activity.

# Purpose



HCAA will present a briefing on their current state of medical contracting; covering trends and lessons-learned from over the past 24 months. Their perspective on current and the future MHS/MEDCOM Acquisitions will demonstrate how medical contracting supports the MHS Value Model and how to reduce the per Capita Cost of contracted healthcare by embracing the SECDEFs goals to:

- “Improvement in efficiencies”
- “Gain better buying power”
- “Doing more without more”



# Agenda



- **MEDCOM HCAA Organizational footprint**
- **Defining Medical Contracting by Service**
- **Historical Workload**
- **The current state of medical contracting**
- **Trends and lessons learned from requirements supporting initiatives and challenges such as BRAC and Joint basing**
- **Future opportunities in the MHS with a focus on strategic sourcing.**
- **SECDEF guidance**

# Health Care Acquisition Activity



## HCAA Mission

To provide sound acquisition advice and quality contracting support that is responsive to today's health care requirements as we prepare for changes in contracting demands to support the health care environment of the future

## HCAA Vision

To be the premier, cost effective Health Care Contracting organization providing quality and responsive contracting support to the Military Health Care System

Principal Assistant Responsible for Contracting

*"So Others*



*May Succeed"*

HCAA Commander



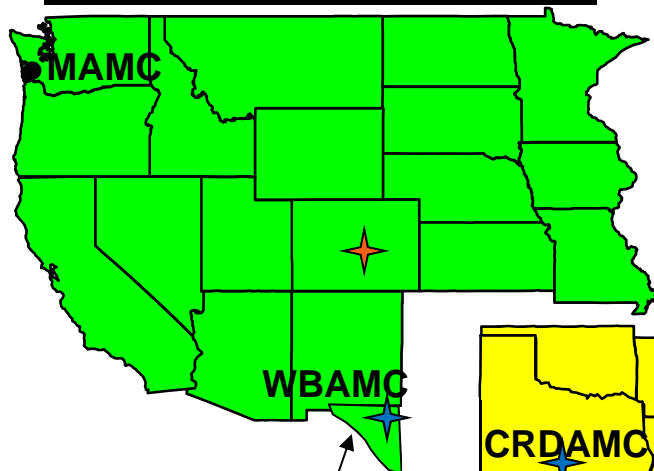
# MEDCOM Reorganization Structure



Ft Lewis, WA  
WRCO

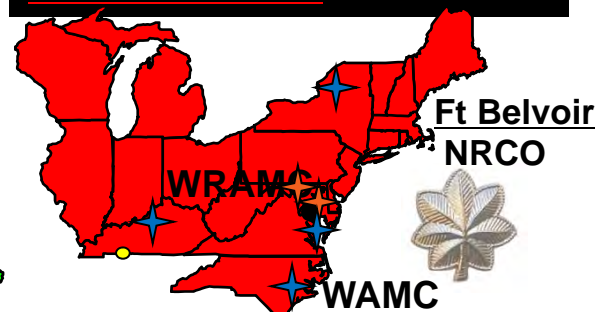


**WESTERN RMC**

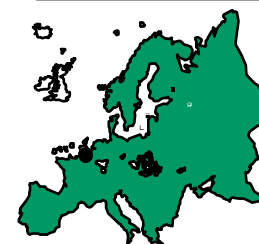


(West Texas belongs to Western RMC)

**NORTHERN RMC**



**EUROPE RMC**



Landstuhl, Germany  
ERCO



Tripler AMC  
PRCO



**PACIFIC RMC**



TAMC

FSH  
HCAA  
&  
CHCC/  
MITC

**SOUTHERN RMC**

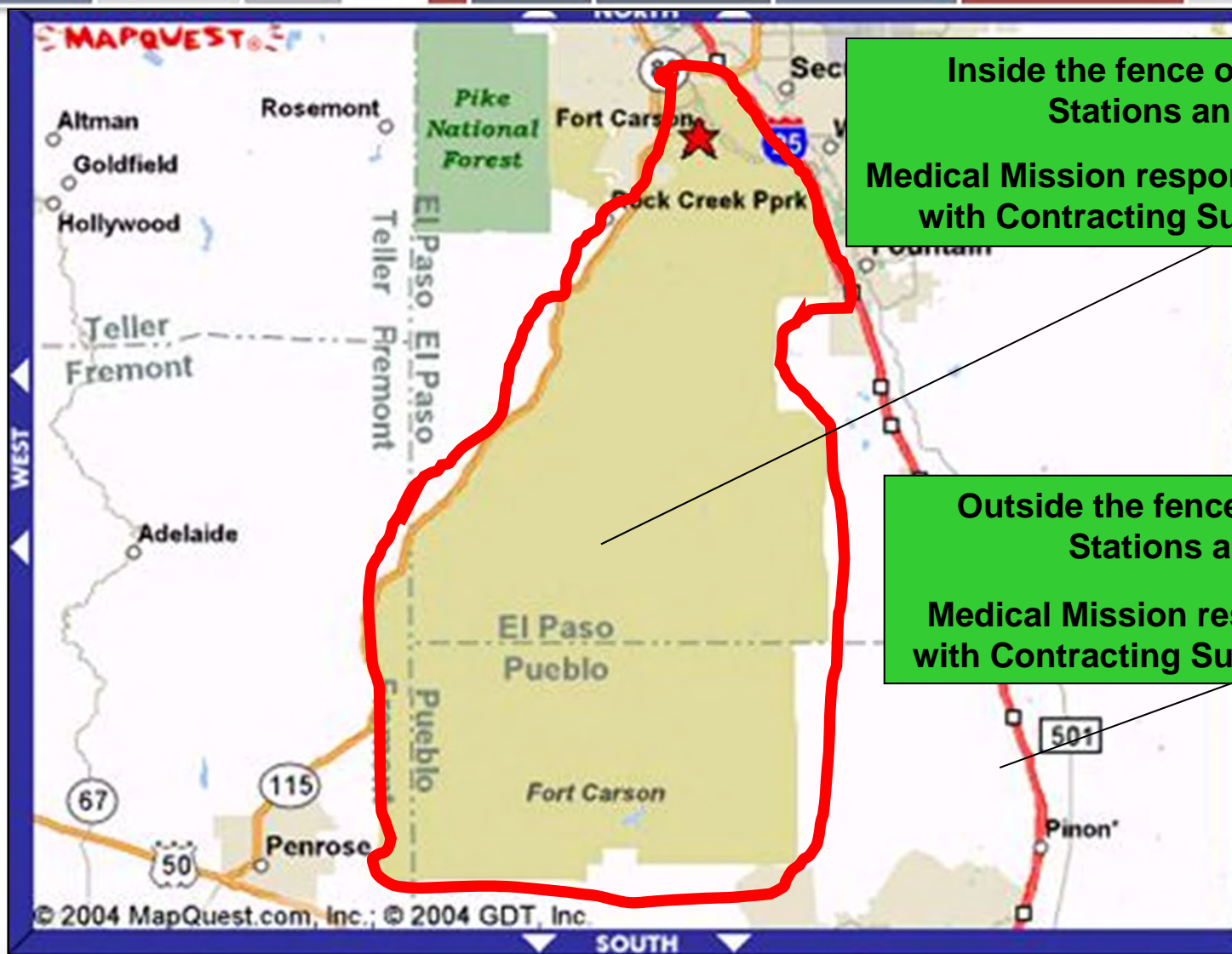


Ft Sam Houston  
SRCO

## Cell Locations:

- | Current       | Planned         |
|---------------|-----------------|
| • Ft Bliss    | • Ft Carson     |
| • Ft Hood     | • Eglin AFB, FL |
| • Ft Bragg    |                 |
| • Ft Eustis   |                 |
| • Ft Drum     |                 |
| • Ft Knox     |                 |
| • Korea       |                 |
| • Ft Detrick  |                 |
| • JTF- CAPMED |                 |

# Difference between HCAA and TMA



**Inside the fence of Camps, Posts  
Stations and Forts...**  
**Medical Mission responsibility of MEDCOM  
with Contracting Support from HCAA**

**Outside the fence of camps, Posts  
Stations and Forts...**  
**Medical Mission responsibility of TMA  
with Contracting Support from TRICARE**



# Differences in Service's Medical Contracting



## Air Force

- No specific medical contracting authority
- Decentralized
- Installation and wing focused
- AF Med Log
- HCA non medical
- In FY09 awarded \$294.8 M in medical services



## Navy

- Restricted to specialize medical contracting (clinical and medical material)
- NLMC
- HCA non-medical
- In FY09 awarded \$395.9M in medical services



## Army

- Centralized and not restricted to Medical Services and includes MTF support functions/ Clinical/ non-clinical/ EVS and IM/IT
- HCAA
- HCA specific for medical mission
- In FY09 awarded \$805M in medical services

# Historical Capabilities/Services



## Physician Services

- Physicians – all specialties
- Physician Extenders (PAs and NPs)
- Locum Tenens

## Behavioral Health

- Psychiatrists
- Psychologists
- Licensed Clinical Social Workers
- Marriage and Family Therapists

## Environment of Care Services

- Housekeeping
- Linens
- Medical Waste



## Ancillary Services

- Nurses
- Therapists-OT/PT
- Technicians
- Technologists
- Assistants
- Dieticians

## Medical Support

- Med Surge
- Laboratory
- Pharmaceutical
- Dental
- Subsistence
- HIV Testing
- Reference Lab
- Medical Supplies
- Medical Maintenance

## A-76 (Medical Mission Related)

- Base Ops
- Nutrition Care
- Ambulance Services
- Utility Mgmt



# MEDCOM DHP Contract Spending



## FY09:

- Number of Actions (obligations): 15,069
- Total Obligations: \$1.687B
- Number of Deobligations: 4365
- Total Deobligations: \$ 247M

## FY10:

- Number of Actions (obligations): 14,525
- Total Obligations: \$1.67B
- Number of Deobligations: 3851
- Total Deobligations: \$374M

Labor Category	FY05	FY06	FY07	FY 08	FY 09	FY10
Registered Nurses	\$50.7M	\$57.5M	\$49.4M	\$59.5M	\$65.4M	\$54.8M
Dentists, General	\$37.8M	\$44.2M	\$44M	\$57.4M	\$52.7M	\$43M
Radiologists	\$17.8M	\$21.2M	\$27.1M	\$32.6M	\$27.1M	\$25.5M
Physician Assistants	\$22.4M	\$22M	\$20.4M	\$27M	\$30.6M	\$26.1M
Emergency Medical Physicians	\$18M	\$20.5M	\$20.3M	\$20.3M	\$29.5M	\$35M
Dental Support	\$24.9M	\$30.8M	\$34.8M	\$39.8M	\$38.5M	\$36.6M

Data Source: Army Contracting Business Intelligence System

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# Top 25 Product or Services for FY10



Rank	Prod or Svc Name	Obligated Amt	Percent
1	MEDICAL & SURGICAL INSTRUMENTS, EQUIPMENT & SUPPLIES	\$144,474,394	10.28%
2	MISCELLANEOUS ITEMS	\$97,083,660	6.91%
3	GENERAL HEALTH CARE SERVICES	\$95,087,935	6.77%
4	LOGISTICS SUPPORT SERVICES	\$92,717,919	6.60%
5	NURSING SERVICES	\$80,304,671	5.71%
6	DENTISTRY SERVICES	\$77,093,582	5.49%
7	INTERNAL MEDICINE SERVICES	\$74,428,159	5.30%
8	PSYCHIATRY SERVICES	\$72,890,434	5.19%
9	CUSTODIAL - JANITORIAL SERVICES	\$69,037,692	4.91%
10	OTHER MEDICAL SERVICES	\$63,226,786	4.50%
11	LABORATORY TESTING SERVICES	\$51,144,234	3.64%
12	RADIOLOGY SERVICES	\$38,210,080	2.72%
13	IN VITRO DIAGNOSTIC SUBSTANCES, REAGENTS, TEST KITS	\$26,649,911	1.90%
14	OTHER HOUSEKEEPING SERVICES	\$22,621,185	1.61%
15	MAINTAINANCE & REPAIR OF EQUIPMENT/MEDICAL & DENTAL	\$21,612,894	1.54%
16	PEDIATRIC SERVICES	\$21,488,844	1.53%
17	ANESTHESIOLOGY SERVICES	\$21,321,585	1.52%
18	OTHER ADMINISTRATIVE SUPPORT SERVICES	\$19,685,652	1.40%
19	OTHER PROFESSIONAL SERVICES	\$17,824,892	1.27%
20	GYNECOLOGY	\$14,597,068	1.04%
21	SURGERY SERVICES	\$14,568,202	1.04%
22	PHYSICAL MEDICINE & REHABILITATION SERVICES	\$14,278,162	1.02%
23	AUTOMATED INFORMATION SYSTEM DESIGN & INTEGRATION	\$13,715,095	0.98%
24	FACILITIES OPERATIONS SUPPORT SERVICES	\$12,895,155	0.92%
25	PROGRAM MANAGEMENT/SUPPORT SERVICES	\$12,236,678	0.87%
		\$1,189,194,870	84.63%

# Supporting the Army Family



1017.6 Nurses

102.4 ER Physicians

107 Psychologists

110 Family Practice

210.8 Dentists

44.2 Pediatricians

101.1 Psychiatrists



# Specialized Medical Contracting Support



HIV Testing



Prosthetics

Tele-Behavioral Health



Acupuncture



**OUTWARD  
BOUND**

Chiropractic

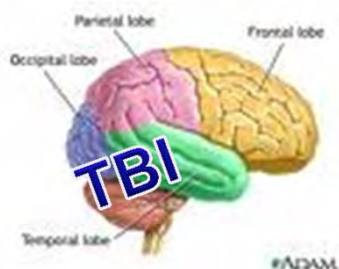


WTU Liaison

Teleradiology



Midwives



Burn care

# Beyond the Army MTF



DEFENSE CENTERS  
OF EXCELLENCE  
For Psychological Health  
& Traumatic Brain Injury



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# HCAA Lessons Learned: Negative



## ■ Government Short Comings:

- Non commercial practices
- Under funding
- Unrealistic start dates
- Deviation from credentialing process Reg
  - Lack of urgency to credential



## ■ Industry Short Comings:

- Offering Unqualified staff (non-US citizen)
- Incomplete credential packets
- Knowledge of local market/unique locations
- Lowballing bids to gain awards



# HCAA Lessons Learned: Positive

## ■ Government:

- Redefining requirements to commercial practice
- Emphasis on market research for funding
- Accepting as the norm: 90 days BOG
- RMC lead to ensure credentialing moves quicker
- Standardize/Programmatic approach for healthcare contracts



## ■ Industry:

- Single team for specific Service requirements
- Looking at more than Salary.com for bids
- Core competencies: MDs/Nurses/Allied Health
- Industry specializing within regional boundaries

# Future Trends of Medical Contracting



- **Earlier Acquisition involvement**
- **Joint Medical Capabilities (No longer Service Centric) -Huge culture shift**
  - JTF-CAPMED, SAMMC, METC
  - Joint Basing (McCord-Lewis, Bragg-Pope, etc)
  - Europe, Pacific Rim
- **Expanding use of MATOs Contract Vehicles**
- **Expanding use of Surge procurement tools**
  - Specific surge and Locum Tenens contract vehicles
- **Strategic Sourcing:**
  - Focus on cross Service and multi-regions views
  - Standardized yet flexible and tailorable PWS for sharing
- **Greater contract support for TMA large portfolio of COE**



# Future Trends of Medical Contracting



## ■ BIGGEST CHALLENGES:

- Budget (Core vs OCO) funds
- Credentialing (cross services access)
- IM/IT access Cross service Networks - **Show stopper!**
- IM/ IT contract support within the MHS
  - IA/ DIACAP issues from the customers perspective
- Culture:
  - Clinical care is universal the difficulty is the administrative issues working within a joint environment
  - Willingness to share resources
- Competitive commercial market:
  - Impact of Patient Protection and Affordable Care Act (PPAC)?
- \$400K threshold for Personal Service Contractor

# Clinical Salary Comparisons



Specialties	AMGA Salary	MEDCOM Contract Providers
Diagnostic Radiologists	\$454K to \$478K	\$434,784 to \$495,283
Neurological Surgery	\$592K	\$449,990 to \$1,184,275
Orthopedic Surgeon	\$500K	\$314,899 to \$463,526
Anesthesiology	\$370K	\$297,600 to \$695,193
Cardiology	\$402K	\$304,166 to \$565,209
Dermatology	\$375K	\$304,166 to \$462,240
Gastroenterology	\$405K	\$259,200 to \$399,984
Otolaryngology	\$368K	\$262,560 to \$399,360
Urology	\$413K	\$299,520 to \$615,360

# Clinical High Cost Challenge



- Statutory limit on compensation for personal services; DoDI 6025.5 (para 4.7) limits total annual compensation to \$400K to an individual under a PSC (3 USC 102 & 10 USC 1091):
  - Specialties reporting salaries averaging >\$400K/yr
    - Cardiology - \$402K
    - Cardiac & Thoracic Surgeon - \$533K
    - Diagnostic Radiologists - \$454K to \$478K
    - Gastroenterology - \$405K
    - Gynecological Oncology - \$413K
    - Neurological Surgery - \$592K
    - Orthopedic Surgeon - \$500K
    - Orthopedic Surgeon, Joint Replacement - \$605K
    - Pediatric Surgery - \$419K
    - Radiation Therapy - \$447K
    - Transplant Surgeon, Liver - \$454K
    - Trauma Surgery - \$424K
    - Urology - \$413K
    - Vascular Surgery - \$413K

# Future



- Healthcare Acquisitions MUST:
  - Align with SECDEF guidance:
    - “Getting more efficient”
    - “Attaining better buying power”
    - “Doing more without more”
  - By:
    - Increasing competitive actions
    - Allow reasonable time to bid
    - Thinking on larger scales
    - Potential on and off ramps for MATOs
  - Resolve the IM/ IT access issues

# Why we contract? So Other May Succeed!



We support the Service member and his/her Family.

Better Acquisition Planning of Critical Health Care Products and Services will drive unwarranted variation and lower Per Capita Cost

Medical Contracting is moving out of the Service Centric area and provides opportunity for greater capability to share resources

Anything that touches the patient:

- Medical Services
- Medical Equipment
- Support Services

Contracting for qualified credentialed providers enhance the patient experience of care and indirectly improve the population health of the Army